



Tyne and Wear County
Superannuation
Fund

Annual Report 1981-82

TYNE AND WEAR COUNTY SUPERANNUATION FUND

MEMBERS, ADVISERS AND OFFICERS 1981-82

Chairman of Investment Policy Panel	:	Councillor S. Reed
Vice-Chairman of Investment Policy Panel	:	Councillor Mrs. J. Deas (following May 1981 County Council elections)
Other Members of Investment Policy Panel	:	whole year: Councillor T. Conway Councillor L. Irving Councillor W.J. McKinley prior to May 1981 County Council elections Councillor W.R.S. Forsyth Councillor W.S. Martin following May 1981 County Council elections Councillor G.E. Dickinson Councillor D.D. Gilbert Councillor W. Malcolm
Investment Managers	:	Ivory & Sime Limited — <i>under the direction of</i> J.T. Laurensen Local Authorities Mutual Investment Trust — <i>under the direction of</i> Viscount Churchill
Actuary and Adviser	:	M.H. Winters — R. Watson & Sons
Property Adviser	:	P.J. Chuck — Bernard Thorpe & Partners
Chief Executive	:	J.J. Gardner
County Treasurer	:	Peter J. Smith

REPORT FOR THE YEAR ENDED 31st MARCH 1982.

The Local Government Superannuation Regulations 1974 and subsequent amendments provide the legal framework within which local authority superannuation funds operate. These Regulations set out, on a national basis, the rates of contribution for various types of employee and the method of calculation of benefits. Each County Council is designated an "administering authority" for its area and is responsible for the running of that area's fund. In exercise of this responsibility the County Council has appointed an Investment Policy Panel, consisting of eight County Councillors, to lay down broad policy guidelines for the investment of surplus moneys and to review these guidelines at regular intervals in the light of prevailing economic and market conditions.

Besides employees of the County Council, the Tyne and Wear County Superannuation Fund also includes employees of the City of Newcastle, the Boroughs of Gateshead, North Tyneside, South Tyneside and Sunderland, Tyne and Wear Passenger Transport Executive, Northumbria Probation and After Care Service, North East Regional Airport, the civilian employees of Northumbria Police Authority and 25 other organisations which provide a public service with the County area.

During the year benefits were paid to 1,300 new pensioners or dependents, 3,751 new entrants joined the Fund, and 4,021 people left the Fund on leaving the service of one of the employing authorities. At 31st March 1982 the Fund had 33,740 contributors and 8,395 pensioners. In addition to maintaining records of the contributions made by each member of the Fund and calculating benefits due to each pensioner, staff of the County Treasurer's Department provide an advisory service, which is available to all members of the Fund, to explain in detail any aspect of the complex superannuation legislation and the effect of any changes in legislation.

The Revenue Account for the year is attached and shows contributions by employees of £10.8 million and by employers of £12.8 million. Total pensions and grants paid amounted to £13.5 million, of which £4.3 million, relating to the cost of living increases and discretionary enhancement of length of service, was recharged to employing authorities. After taking account of transfer values, return of contributions and other items, there was an excess of contributions over benefits of £13.7 million during the year. Income from investments, commissions and profits on realisation of investments totalled £18.0 million and after deducting investment management costs incurred there was a net income of £17.8 million. The total surplus for the year was therefore £31.5 million. This was transferred to the accumulated Fund balance which amounted to £174.3 million at 31st March 1982.

The balance sheet on page 4 shows how the accumulated balance has been invested. The market value at 31st March, 1982 of the Fund's investments was £200.7 million. This excludes cash, short-term deposits and overseas currency amounting to £7.2 million.

Following the completion of the quinquennial valuation to determine the long-term solvency of the Fund based on the assets and liabilities at 31st March 1979 Messrs. R. Watson and Sons, the Fund's actuaries, were able to recommend a reduction in the employers' primary rate of contribution from 140% to 120% of the employees contribution, effective from 1st April 1981. The 1981-82 accounts reflect this lower rate of contribution.

Under the investment management arrangements the Fund, after first excluding investment in directly purchased property and property unit trusts, is split up into three portions. Ivory and Sime Limited and the Local Authorities Mutual Investment Trust are each responsible for a portion of the Fund with the remaining portion being managed in-house by the County Treasurer acting through the Policy Panel. Investment in directly purchased property, because of its specialised nature, remains under the control of the Policy Panel and the County Treasurer who received advice from Mr. P.J. Chuck of Messrs. Bernard Thorpe and Partners.

Subject to general guide-lines laid down by the Policy Panel the outside managers have discretion as to the direction of investment of the part of the Fund under their control. The managers submit detailed reports to the Policy Panel at quarterly intervals.

The Fund participates in two separate performance analyses; one is undertaken by S.C.T./C.I.P.F.A. and the other by Messrs. R. Watson and Sons. The S.C.T./C.I.P.F.A. analysis covers local authority pension funds only and, although the Tyne and Wear Fund's performance result for the year 1981-82 was below average, the performance in 1980-81 had been sufficiently above average to ensure that for the two year period covered by operation of the new management arrangements the Fund came within the top 40% of participants. The analysis by Messrs. R. Watson and Sons covers both local authority and private sector schemes. In this analysis the Fund's performance was only slightly below average in 1981 and for the two-year period 1980 and 1981 the Fund again came within the top 40% of participants. It has been the practice of the Panel to regard investment performance over a period of four years as providing a reasonable indication as to the long-term performance of the Fund. Over the latest four-year period the Fund came within the top 30% of participants in the R. Watson and Sons analysis and the top 40% in the S.C.T./C.I.P.F.A. analysis.

The members of the Policy Panel hope that this Annual Report will be helpful to both employing authorities and contributors to the Fund.

Peter J. Smith
County Treasurer

TYNE AND WEAR COUNTY SUPERANNUATION FUND

REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 1982

1980/81 £		1981/82 £	£
	CONTRIBUTIONS AND PENSIONS		
	Income		
13,780,746	Employers contributions	12,782,045	
9,768,137	Employees contributions	10,758,897	
2,096,406	Transfer values	1,236,233	
<u>25,645,289</u>			24,777,175
	Expenditure		
7,435,068	Retirement pensions	9,474,176	
	less: Recharged to employing authorities	<u>4,326,042</u>	
<u>3,686,035</u>			
3,749,033	Retirement grants and gratuity payments	5,148,134	
2,031,148	Death grants	3,425,904	
509,942	Return of contributions	564,399	
773,975	Transfer values	635,414	
1,326,504	Payment in lieu of graduated pensions	1,061,022	
13,114	Contributions equivalent premium	181	
265,412		267,534	
<u>8,669,128</u>			11,102,588
16,976,161	Excess of contributions over benefits and payments		13,674,587
	INVESTMENT INCOME AND MANAGEMENT		
	Income		
12,662,851	Investment Income	15,299,031	
2,355,961	Profit on realisation of investments	2,701,707	
21,823	Commissions and other income	35,583	
<u>15,040,635</u>		<u>18,036,321</u>	
	Expenditure		
57,006	Overseas tax and charges	70,525	
167,906	Administration and fees	166,494	
<u>224,912</u>		<u>237,019</u>	
<u>14,815,723</u>	Net income from investments		17,799,302
<u>£31,791,884</u>	Total Surplus for the year added to the accumulated Fund balance		<u>£31,473,889</u>

TYNE AND WEAR COUNTY SUPERANNUATION FUND

BALANCE SHEET AS AT 31 MARCH 1982

1980/81 £		1981/82 £	1981/82 £
111,062,191	Accumulated Balance at 1st April 1981	142,854,075	
31,791,884	Surplus for year from Revenue Account	31,473,889	
£142,854,075	Accumulated Balance at 31st March 1982	£174,327,964	
	Represented by:-		
	Investments at book cost		
114,866,380	Quoted securities		143,374,327
	Unquoted securities		
	UK companies	680,789	
	Overseas companies	378,684	
	LAMIT wider range fund	1,654,231	
	Property unit trusts	2,379,822	
	Other unit trusts	1,179,259	
	Freehold and leasehold property	14,085,669	
	less: leasehold sinking fund	212,946	13,827,723
	Local authority mortgages	472,557	
17,508,849			20,618,065
132,375,229	Total Investments		163,992,392
	Current assets		
6,269,635	Cash and short term deposits	6,709,714	
652,228	Overseas currency balances	515,305	
3,658,078	Debtor	3,577,550	
10,579,941	Less current liabilities		10,802,569
101,095	Creditors		466,997
10,478,846	Net Current Assets		10,335,572
£142,854,075	Total net assets		£174,327,964

The market value of investments at 31st March 1982 was as follows:

	£	£
Quoted investments		173,113,909
Freehold and leasehold property		17,350,364
LAMIT wider range		3,601,763
Property unit trusts		3,866,610
Other unit trusts		1,259,324
		199,191,970

Valued at cost

Unquoted - UK companies	680,002*	
- Overseas companies	392,641**	
Local authority mortgages	472,557	
	1,545,200	£200,737,170

* Excluding associated legal costs

** Cost in U.S. dollars

ANALYSIS OF INVESTMENTS AS AT 31st MARCH 1982

TYPE OF INVESTMENT	No. of Holdings	Cost of Investments £000	Valuation at 31.3.82 £000	Percentage of Total Fund %
Fixed Interest				
British Government Stocks	21	58,635	58,011	28.9
Local Authority Mortgages	15	473	473	0.23
TOTAL FIXED INTEREST		59,108	58,484	29.13
Quoted Equity Stock and Shares — U.K.				
Capital Goods				
Building Materials	5	1,733	2,993	1.49
Contracts and Construction	5	683	1,031	0.51
Electricals	4	4,385	11,445	5.70
Engineering Contractors	2	1,011	1,467	0.73
Mechanical Engineering	4	2,055	2,790	1.39
Motors	2	208	175	0.09
Other Industrial Materials	2	1,075	2,798	1.39
Consumer Group				
Brewers and Distillers	3	1,429	2,523	1.26
Food Manufacturing	5	3,493	4,938	2.46
Food Retailing	2	1,786	2,100	1.05
Health and Household Products	4	2,597	4,149	2.07
Leisure	5	2,790	3,707	1.85
Newspapers and Publishing	2	533	504	0.25
Stores	10	5,030	7,475	3.72
Textiles	1	924	1,355	0.68
Tobacco	1	1,840	2,654	1.32
Other Groups				
Chemicals	2	1,497	1,655	0.83
Office Equipment	1	254	186	0.09
Shipping and Transport	3	1,614	1,977	0.99
Miscellaneous	6	3,100	4,333	2.16
Oils	8	7,640	10,662	5.31
Financial Group				
Banks	3	2,936	3,740	1.86
Discount Houses	2	207	266	0.13
Insurance (Life)	3	1,353	3,240	1.61
Insurance (Composite)	4	2,537	3,240	1.61
Insurance Brokers	1	263	543	0.27
Merchant Banks	1	925	879	0.44
Property	8	3,363	3,874	1.93
Investment Trusts	7	1,495	1,605	0.80
Mining Finance	4	2,537	3,262	1.63
Overseas Traders	3	1,794	2,094	1.04
TOTAL QUOTED EQUITIES — U.K.		63,087	93,660	46.66
Equity Stocks and Shares—Overseas				
United States	37	12,456	13,253	6.60
Australia	11	3,081	2,659	1.33
Canada	4	938	980	0.49
Japan	17	4,017	3,593	1.79
Eire	1	479	292	0.15
New Zealand	1	58	33	0.02
Sweden	1	622	631	0.31
County American Exempt Fund	1	716	807	0.40
TOTAL EQUITIES—OVERSEAS		22,367	22,248	11.09
L.A.M.I.T. 'Wider Range'	1	1,654	3,602	1.79
Unit Trusts	3	463	452	0.23
Unquoted U.K. Equity Stocks	3	681	680	0.34
Overseas Equity Stocks	1	379	393	0.19
TOTAL UNQUOTED EQUITIES		3,177	5,127	2.55
Property				
Direct Investments (at cost)	21	13,873*	17,350	8.64
Unit Trusts	4	2,380	3,867	1.93
TOTAL PROPERTY		16,253	21,217	10.57
TOTAL FUND		163,992	200,736	100

* after deducting leasehold sinking fund provision of £213,000

**TYNE AND WEAR COUNTY SUPERANNUATION FUND—
DIRECT INVESTMENT IN PROPERTY**

	Date Acquisition	Purchase Price £	Net Annual Income £	Yield (Approx.) %
OFFICE DEVELOPMENTS				
Daryl House, Bridge Road, Stockton—Freehold	4.8.76	1,332,202	122,611	9.20
Levick House, Middlesborough— Freehold	31.8.76	157,814	17,450	11.06
Lichfield House Walsall— Leasehold—99 years from 1974	22.12.76	329,931	28,357	8.59
10/12 The Ropewalk, Nottingham— Freehold	8.12.76	118,685	11,162	9.40
The Bury, Chesham—Freehold	18.11.77	418,962	34,125	8.15
9/10 Osborne Terrace, Jesmond— Freehold	6.9.78	136,682	12,850	9.40
Bolton House, Poole, Dorset—Freehold	22.6.81	1,540,014	85,500	5.55
TOTAL OFFICE PROPERTIES		4,034,290	312,055	7.73
SHOP/OFFICE DEVELOPMENTS				
Midland House, Forster House, Bradford—Leasehold—Phase 1 99 years from 1964	16.11.77	1,631,097	161,522	9.90
Phase II 99 years from 1967				
53/59 High Street, Erdington Leasehold—99 years from 1971	6.4.78	242,365	36,609	15.10
Debenhams, High Street, Bromley Leasehold—119 years from 1975	23.10.78	1,411,672	179,651	12.73
Gosforth Centre, High Street Gosforth— Leasehold—999 years from 1979	11.11.80	2,979,075	234,615	7.88
TOTAL SHOP/OFFICE PROPERTIES		6,264,209	612,397	9.78
INDUSTRIAL/WAREHOUSE DEVELOPMENTS				
Leechmere Industrial Est. (Phase 1) Sunderland—Leasehold 125 years from 1973	29.9.76	270,012	44,419	16.45
Cornford Road, Blackpool— Leasehold—99 years from 1976	3.2.78	383,544	36,536	9.53
South Gyle Industrial Est. Edinburgh—Leasehold—99 years from 1978	16.10.78	116,303	9,495	8.16
Brunel Street, Newcastle Leasehold—99 years from 1979	8.5.79	155,158	11,720	7.55
Don Trading Estate, Sheffield— Leasehold—99 years from 1979	5.11.79	295,041	22,643	7.67
Copley Hill Ind. Est., Leeds— Leasehold—99 years from 1972	10.10.80	495,807	39,701	8.00
Vaughan Way, Leicester— Leasehold—99 years from 1979	27.11.80	490,723	39,087	7.97
Ratcliffe Gate, Mansfield—Freehold	27.11.80	295,154	23,800	8.06
Lichfield Road, Aston, Birmingham— Freehold	29.5.81	834,564	65,800	7.88
TOTAL INDUSTRIAL PROPERTIES		3,336,306	293,201	8.79
TOTAL DIRECT INVESTMENT IN REAL PROPERTY				
SHORT TERM LEASES				
North Hebburn Community Centre— Lease and lease back Capital cost to be repaid by 1987	31.3.81	450,864	—	10.57
TOTAL ALL PROPERTIES		14,085,669	1,217,653	8.65

SUMMARY OF INVESTMENTS AS AT 31st MARCH 1982

TYPE OF INVESTMENT	Cost of Investments £000	Valuation of Investments £000	Annual Income £000	Yield on Cost %
FIXED INTEREST				
British Government Stocks	58,635	58,011	7,712	13.1
Local Authority Mortgages	473	473	27	5.7
QUOTED EQUITIES				
U.K.	63,087	93,660	5,242	8.31
Overseas	22,367	22,248	799	3.57
L.A.M.I.T. 'Wider Range'	1,654	3,602	188	11.37
Unit Trusts	463	452	41	8.85
Unquoted—U.K. Equities	681	680	1	0.15
— Overseas Equities	379	393	—	—
PROPERTY				
Direct Investment	14,086*	17,350	1,218	8.65
Unit Trusts	2,380	3,867	254	10.67
TOTALS	164,205	200,736	15,482	9.43

* This is the actual cost—the leasehold sinking fund provision has not been deducted.

